

**MOC-FLOYD VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2005**

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2005
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2005

Board of Education (Before September 14, 2004 Election)

<u>Name</u>		<u>Term Expires</u>
Deborah De Haan	President	2005
Gerald Van Roekel	Vice President	2004
Derrick De Haan	Board Member	2005
Patti Thayer	Board Member	2004
Dan Duistermars	Board Member	2006

Board of Education (After September 14, 2004 Election)

Deborah De Haan	President	2005
Gerald Van Roekel	Vice President	2007
Dan Duistermars	Board Member	2006
Derrick De Haan	Board Member	2005
Patti Thayer	Board Member	2007

Officials

Gary Richardson	Superintendent	2005
Leann Evenhuis	Board Secretary	2005
Dave Hughes	Board Treasurer	2005
Stephen F. Avery	Attorney	2005



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
MOC-Floyd Valley Community School District
Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the MOC-Floyd Valley Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-Floyd Valley Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2005 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and all other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOC-Floyd Valley Community School District's basic financial statements. The financial statements for the three years ended June 30, 2004, (none of which are presented herein) were audited

by us or other auditors in accordance with the standards referred to in the second paragraph of this report and had unqualified opinions expressed on them. The supplementary information, included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams + Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
August 31, 2005

MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$8,955,199 in fiscal 2004 to \$9,688,463 in fiscal 2005, while General fund expenditures increased from \$9,127,724 in fiscal 2004 to \$9,318,081 in fiscal 2005. The District's General fund balance increased from \$74,922 in fiscal 2004 to \$520,809 in fiscal 2005, a 595% increase.

The increase in General fund revenues was attributable due to an increase in the state foundation aid and the implementation of the instructional support levy income surtax. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
GASB 34 MOC-Floyd Valley Community School District Annual Financial Report

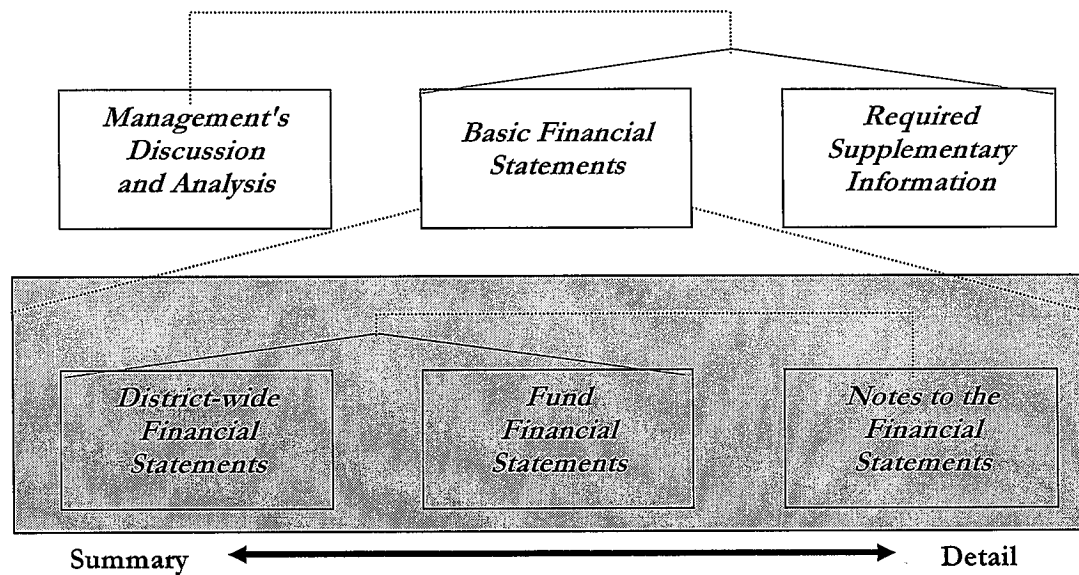


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental Funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 and 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Current and other assets	\$ 7,543,108	\$ 7,025,819	\$ 95,844	\$ 67,509	\$ 7,638,952	\$ 7,093,328	(7.1%)
Capital Assets	5,692,527	8,051,116	43,000	56,153	5,735,527	8,107,269	41.4%
Total Assets	13,235,635	15,076,935	138,844	123,662	13,374,479	15,200,597	13.6%
Current liabilities	5,674,816	6,973,374	8,451	12,349	5,683,267	6,985,723	22.9%
Long-term liabilities	2,911,042	2,032,766	-	-	2,911,042	2,032,766	(30.2%)
Total Liabilities	8,585,858	9,006,140	8,451	12,349	8,594,309	9,018,489	4.9%
Net Assets							
Invested in capital assets, net of related debt	4,151,511	5,400,386	43,000	56,153	4,194,511	5,456,539	30.1%
Restricted	207,623	321,082	-	-	207,623	321,082	54.6%
Unrestricted	290,643	349,327	87,393	55,160	378,036	404,487	7.0%
Total Net Assets	\$ 4,649,777	\$ 6,070,795	\$ 103,393	\$ 111,313	\$ 4,780,170	\$ 6,182,108	29.3%

The District's combined net assets increased by nearly 30%, or approximately \$1,402,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$113,000 or 54.6% from the prior year. The increase was primarily a result of decreased capital expenditures in the Physical Plant and Equipment fund, as budgeted.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$26,000 or 7%.

Figure A-4
Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Revenue:							
Program Revenue:							
Charges for Services	\$ 551,539	\$ 681,924	\$ 281,806	\$ 294,101	\$ 841,345	\$ 976,025	16%
Operating Grants and Contributions	1,273,065	1,198,410	160,805	153,020	1,433,870	1,351,430	(5.7%)
Capital Grants and Contributions	85,381	14,995	-	-	85,381	14,995	(82.4%)
General Revenues:							
Property Tax	4,641,314	4,434,412	-	-	4,641,314	4,434,412	(4.5%)
Instructional Support Surtax	-	352,442	-	-	-	352,442	100%
Local Option Sales Tax	347,215	830,357	-	-	347,215	830,357	139.1%
Unrestricted State Grants	3,774,742	4,306,827	-	-	3,774,742	4,306,827	14.1%
Unrestricted Investment Earnings	40,353	57,398	1,543	1,015	41,896	58,413	39.4%
Gain on Disposal of Assets	-	343	-	-	-	343	100%
Other	25,705	85,637	1,624	1,070	27,329	86,707	217.3%
TOTAL REVENUES	10,739,314	11,962,745	453,778	449,206	11,193,092	12,411,951	10.9%
Program Expenses:							
Instruction	6,805,923	6,727,815	-	-	6,805,923	6,727,815	(1.1%)
Support Services	2,735,784	2,859,244	-	-	2,735,784	2,859,244	4.5%
Non-Instructional Programs	14,123	13,321	454,235	468,286	468,358	481,607	2.8%
Other Expenses	649,576	940,275	-	-	649,576	940,275	44.8%
TOTAL EXPENSES	10,205,406	10,540,655	454,235	468,286	10,659,641	11,008,941	3.3%
Change in Net Assets	\$ 533,908	\$ 1,422,090	\$ (457)	\$ (19,080)	\$ 533,451	\$ 1,403,010	163.0%

Property tax, local option sales tax, and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-5

Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2004	2005		2004	2005	
Instruction	\$6,805,923	\$6,727,815	(1.1%)	\$5,558,721	\$5,423,817	(2.4%)
Support Services	2,735,784	2,859,244	4.5%	2,516,623	2,706,954	7.6%
Non-Instructional	14,143	13,321	(5.8%)	6,309	6,459	2.4%
Other	649,576	940,275	44.8%	213,768	508,096	137.7%
TOTAL	\$10,205,406	\$10,540,655	3.3%	\$8,295,421	\$8,645,326	4.2%

- The cost financed by users of the District's programs was \$681,924.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,213,405.
- The net cost of governmental activities was financed with \$5,617,211 in property and other taxes and \$4,306,827 in unrestricted state grants.

Business Type Activities

Revenues of the District's business type activity (school food and nutrition services) were \$449,206 and expenses were \$468,286. (Refer to Figure A-4.) Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$568,313, ahead of last year's ending fund balances of \$501,420.

Governmental Fund Highlights

- The District's improved General Fund financial position is the result of the implementation of the instructional support levy income surtax as well as increased state foundation aid received.
- The Capital Project LOST Fund balance decreased from \$268,595 in fiscal 2004 to a deficit of \$263,209 in fiscal 2005. This decrease is due to the construction costs relating to the high school addition and remodel project. The deficit will be replenished as local option sales tax revenues are received.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$119,333 at June 30, 2004 to \$111,313 at June 30, 2005. The decrease was due primarily to increased personnel costs and a decrease in commodity inventories received.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$15,515,842 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6). More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$384,465.

The largest changes in capital asset activity during the year occurred in the construction in progress category. The District is doing a high school addition and remodeling project which was not yet completed as of June 30, 2005.

Figure A-6 – Capital Assets

	Governmental Activities		Business-Type Activities		Total District		Total Change
	2004	2005	2004	2005	2004	2005	2004-2005
Land	\$ 237,000	\$ 247,000	-	-	\$ 237,000	\$ 247,000	4.2%
Const. in Progress	105,293	2,468,545	-	-	105,293	2,468,545	2244.5%
Buildings	9,766,213	9,923,084	-	-	9,766,213	9,923,084	1.6%
Improvements other than buildings	579,723	639,724	-	-	579,723	639,724	10.3%
Furniture and Equipment	2,067,101	2,147,704	\$ 70,007	\$ 89,785	2,137,108	2,237,489	4.7%
Total	\$ 12,755,330	\$15,426,057	\$ 70,007	\$ 89,785	\$12,825,337	\$15,515,842	21.0%

Long-Term Debt

At year end, the District had \$935,000 in general obligation bonds outstanding, \$1,665,000 in LOST revenue bonds outstanding, \$50,730 in lease obligations, and \$53,100 in early retirement obligations. This is an increase of \$1,006,788 from the prior year. The increase is due to the issuance of \$1,665,000 LOST revenue bonds to finance the high school addition and remodeling project. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District will saw an increase of 17 students for 2005-2006 which will positively affect the 2006-2007 budget.
- The revaluation of Ag land during the 03-04 fiscal year has continued to have a negative effect on the total assessed valuation of the district by \$41,000,000. This also reflected a negative effect on the total tax levy of the District.
- There continues to be considerable economic expansion beginning in the Alton/Orange City area with the Highway 60 by-pass project, the building of a new \$30 million hospital in Orange City, the expansion of Med-Tech, Advanced Brands, and Revival Animal Health Incorporated. .

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary/Treasurer and Business Manager, MOC-Floyd Valley Consolidated School District, 1301 8th Street SE, Orange City Iowa 51041.

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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 1,858,848	\$ 47,093	\$ 1,905,941
Receivables:			
Property Tax	45,622	-	45,622
Succeeding Year Property Tax	4,230,227	-	4,230,227
Accounts	10,713	-	10,713
Due from Other Governments	272,544	-	272,544
Restricted Assets:			
Cash and Pooled Investments	7,274	-	7,274
ISCAP Investments	577,671	-	577,671
ISCAP Interest Receivable	123	-	123
Inventories	-	20,416	20,416
Bond Issue Costs	22,797	-	22,797
Land	247,000	-	247,000
Construction in Progress	2,468,545	-	2,468,545
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,335,571	56,153	5,391,724
Total Assets	15,076,935	123,662	15,200,597
LIABILITIES			
Accounts Payable	559,343	150	559,493
Salaries and Benefits Payable	919,388	3,027	922,415
Accrued Interest Payable	10,520	-	10,520
Unearned Revenue	-	9,172	9,172
Deferred Revenue - Succeeding Year Taxes	4,230,227	-	4,230,227
ISCAP Unamortized Premium	7,722	-	7,722
ISCAP Interest Payable	110	-	110
Noncurrent Liabilities:			
Debt Due Within One Year:			
ISCAP Warrants Payable	575,000	-	575,000
Lease Obligations Payable	20,070	-	20,070
Bonds Payable	600,000	-	600,000
Early Retirement Payable	50,994	-	50,994
Due in More Than One Year:			
Lease Obligations Payable	30,660	-	30,660
Early Retirement Payable	2,106	-	2,106
Bonds Payable	2,000,000	-	2,000,000
Total Liabilities	9,006,140	12,349	9,018,489
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,400,386	56,153	5,456,539
Restricted for:			
Debt Service	31,762	-	31,762
Physical Plant and Equipment Levy	178,521	-	178,521
Other Special Revenue Purposes	110,799	-	110,799
Unrestricted	349,327	55,160	404,487
Total Net Assets	\$ 6,070,795	\$ 111,313	\$ 6,182,108

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 4,547,814	\$ 182,365	\$ 355,952	\$ -
Special Instruction	1,109,891	105,436	87,340	-
Other Instruction	1,070,110	386,254	186,651	-
Support Services:				
Student Services	298,770	-	-	-
Instructional Staff Services	462,834	-	-	-
Administration Services	913,926	-	-	-
Operation and Maintenance	717,501	7,869	-	10,000
Transportation Services	466,213	-	129,426	4,995
Non-instructional Programs	13,321	-	6,862	-
Other Expenditures:				
Facilities Acquisition and Construction Services	420,903	-	-	-
Long-term Debt Interest	87,193	-	-	-
AEA Flowthrough	432,179	-	432,179	-
Total governmental activities	<u>10,540,655</u>	<u>681,924</u>	<u>1,198,410</u>	<u>14,995</u>
Business Type Activity:				
Non-instructional Programs				
Food Service Operations	<u>468,286</u>	<u>294,101</u>	<u>153,020</u>	<u>-</u>
Total	<u>\$ 11,008,941</u>	<u>\$ 976,025</u>	<u>\$ 1,351,430</u>	<u>\$ 14,995</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain on Disposal of Assets				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (4,009,497)		\$ (4,009,497)
(917,115)		(917,115)
(497,205)		(497,205)
(298,770)		(298,770)
(462,834)		(462,834)
(913,926)		(913,926)
(699,632)		(699,632)
(331,792)		(331,792)
(6,459)		(6,459)
(420,903)		(420,903)
(87,193)		(87,193)
-		-
<u>(8,645,326)</u>		<u>(8,645,326)</u>
	\$ (21,165)	(21,165)
<u>(8,645,326)</u>	<u>(21,165)</u>	<u>(8,666,491)</u>
3,703,589	-	3,703,589
406,724	-	406,724
324,099	-	324,099
352,442	-	352,442
830,357	-	830,357
4,306,827	-	4,306,827
57,398	1,015	58,413
343	-	343
85,637	1,070	86,707
<u>10,067,416</u>	<u>2,085</u>	<u>10,069,501</u>
1,422,090	(19,080)	1,403,010
4,648,705	130,393	4,779,098
<u>\$ 6,070,795</u>	<u>\$ 111,313</u>	<u>\$ 6,182,108</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Capital Project LOST	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Pooled Investments	\$ 1,389,074	\$ -	\$ 348,955	\$ 1,738,029
Receivables:				
Property Tax	36,664	-	8,958	45,622
Succeeding Year Property Tax	3,606,914	-	623,313	4,230,227
Accounts	1,420	-	9,293	10,713
Due from Other Funds	-	-	4,536	4,536
Due from Other Governments	170,638	101,906	-	272,544
Restricted Assets:				
Cash and Pooled Investments	-	7,274	-	7,274
ISCAP Investments	577,671	-	-	577,671
ISCAP Interest Receivable	123	-	-	123
Total Assets	<u>5,782,504</u>	<u>109,180</u>	<u>995,055</u>	<u>6,886,739</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	152,561	367,853	37,443	557,857
Due to Other Funds	-	4,536	-	4,536
Salaries and Benefits Payable	919,388	-	-	919,388
Early Retirement Payable	-	-	23,586	23,586
Deferred Revenue - Succeeding Year Taxes	3,606,914	-	623,313	4,230,227
ISCAP Unamortized Premium	7,722	-	-	7,722
ISCAP Interest Payable	110	-	-	110
ISCAP Warrants Payable	575,000	-	-	575,000
Total Liabilities	<u>5,261,695</u>	<u>372,389</u>	<u>684,342</u>	<u>6,318,426</u>
Fund Balances:				
Reserved for:				
Debt Service	-	-	42,282	42,282
Unreserved for:				
General Fund	520,809	-	-	520,809
Special Revenue Fund	-	-	268,431	268,431
Capital Project Fund	-	(263,209)	-	(263,209)
Total Fund Balances	<u>520,809</u>	<u>(263,209)</u>	<u>310,713</u>	<u>568,313</u>
Total Liabilities and Equity	<u>\$ 5,782,504</u>	<u>\$ 109,180</u>	<u>\$ 995,055</u>	<u>\$ 6,886,739</u>

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 568,313
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,051,116
An internal service fund is used by management to fund and maintain the District's partially self-insured health insurance provided to user departments and is included in the statement of net assets.	119,333
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,520)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	22,797
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,680,244)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 6,070,795</u></u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Capital Project LOST	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax	\$ 3,816,054	\$ 830,357	\$ 970,800	\$ 5,617,211
Tuition	203,510	-	-	203,510
Other	100,375	1,841	456,289	558,505
State Sources	5,179,482	-	807	5,180,289
Federal Sources	389,042	-	-	389,042
Total Revenue	9,688,463	832,198	1,427,896	11,948,557
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	4,423,389	-	124,728	4,548,117
Special Instruction	1,109,891	-	-	1,109,891
Other Instruction	715,424	-	386,631	1,102,055
Support Services:				
Student Services	298,226	-	544	298,770
Instructional Staff Services	406,653	-	38,914	445,567
Administration Services	856,117	-	38,406	894,523
Operation and Maintenance	653,823	-	42,743	696,566
Transportation Services	415,517	-	19,632	435,149
Non-instructional Programs	6,862	-	6,459	13,321
Other Expenditures:				
Facilities Acquisition and Construction Services	-	2,787,566	229,069	3,016,635
Long-term Debt:				
Principal	-	-	570,000	570,000
Interest and Fiscal Charges	-	-	74,396	74,396
AEA Flowthrough	432,179	-	-	432,179
Total Expenditures	9,318,081	2,787,566	1,531,522	13,637,169
Excess (Deficiency) of Revenues Over Expenditures	370,382	(1,955,368)	(103,626)	(1,688,612)
Other Financing Sources (Uses):				
Transfers In	43,755	-	256,436	300,191
Transfers Out	(15,000)	(241,436)	-	(256,436)
Proceeds from Issuance of Long-Term Debt	46,750	1,665,000		1,711,750
Total Other Financing Sources (Uses)	75,505	1,423,564	256,436	1,755,505
Net Change in Fund Balances	445,887	(531,804)	152,810	66,893
Fund Balances - Beginning of Year	74,922	268,595	157,903	501,420
Fund Balances (Deficit) - End of Year	\$ 520,809	\$ (263,209)	\$ 310,713	\$ 568,313

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$	66,893
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,721,731		
Depreciation expense	<u>(377,330)</u>		2,344,401

Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.		14,995
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Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.		(807)
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Accrued interest expense that does not require current financial resources.		(5,340)
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net revenue of the internal service funds is reported with governmental activities.		47,282
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		56,934
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.		7,446
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The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt was as follows:

LOST revenue bonds	(1,665,000)		
Lease obligations payable	<u>(46,750)</u>		(1,711,750)

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	570,000		
Lease obligations payable	<u>32,036</u>		602,036

Change in net assets of governmental activities (page 15)	\$	<u>1,422,090</u>
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business Type Activity	Governmental Activities
	School Nutrition Fund	Internal Service
ASSETS		
Current Assets:		
Cash and Pooled Investments	\$ 47,093	\$ 120,819
Inventories	20,416	-
Total Current Assets	<u>67,509</u>	<u>120,819</u>
Noncurrent Assets:		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	56,153	-
Total Noncurrent Assets	<u>56,153</u>	<u>-</u>
Total Assets	<u>123,662</u>	<u>120,819</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	150	1,486
Salaries and Benefits Payable	3,027	-
Unearned Revenue	9,172	-
Total Current Liabilities	<u>12,349</u>	<u>1,486</u>
Total Liabilities	<u>12,349</u>	<u>1,486</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	56,153	-
Unrestricted	55,160	119,333
Total Net Assets	<u>\$ 111,313</u>	<u>\$ 119,333</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Operating Revenues:		
Charges for services	\$ 294,101	\$ 130,715
Miscellaneous	1,070	-
Total Operating Revenue	<u>295,171</u>	<u>130,715</u>
Operating Expenditures:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	182,680	-
Benefits	24,486	-
Purchased Services	4,672	-
Supplies	249,313	-
Depreciation	7,135	-
Other Enterprise Operations:		
Benefits	-	27,819
Purchased Services	-	11,859
Total Operating Expenses	<u>468,286</u>	<u>39,678</u>
Operating Income (Loss)	<u>(173,115)</u>	<u>91,037</u>
Non-Operating Revenues :		
Interest Income	1,015	-
State Lunch Reimbursements	6,466	-
National School Lunch Program	112,206	-
Federal Food Commodities Received	34,348	-
Total Non-Operating Revenues	<u>154,035</u>	<u>-</u>
Other Financing Sources		
Transfers to other Funds		<u>(43,755)</u>
Change in net assets	(19,080)	47,282
Net Assets - beginning	<u>130,393</u>	<u>72,051</u>
Net Assets - ending	<u><u>\$ 111,313</u></u>	<u><u>\$ 119,333</u></u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 295,983	\$ -
Cash received from miscellaneous operating activities	1,070	130,715
Cash paid to employees for services	(207,166)	-
Cash paid to suppliers for goods or services	(213,034)	(43,405)
Total cash provided (used) by operating activities	(123,147)	87,310
Cash flows from noncapital financing activities:		
Interfund Transfers		(43,755)
State grants received	6,466	-
Federal grants received	112,206	-
Total cash provided (used) by noncapital financing activities	118,672	(43,755)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(20,288)	-
Cash flows from investing activities:		
Interest on investments	1,015	-
Net increase (decrease) in cash and cash equivalents	(23,748)	43,555
Cash and cash equivalents - beginning of year	70,841	77,264
Cash and cash equivalents - end of year	47,093	120,819
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	(173,115)	91,037
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	7,135	-
Commodities used	38,967	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Purchased Inventories	(32)	-
Accounts Payable	(988)	(3,727)
Salaries and benefits payable	3,004	-
Unearned Revenue	1,882	-
Net cash provided (used) in operating activities	\$ (123,147)	\$ 87,310
Non-cash investing, capital and financing activities:		
Federal food commodities received	\$ 34,348	\$ -

See Accompanying Notes to Financial Statements

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Agency Fund
June 30, 2005

	<u>2005</u>
Cash and Temporary Cash Investments	<u>\$ 6,456</u>
Total Net Assets	<u>6,456</u>
Liabilities:	
Other Payables	<u>6,456</u>
Unrestricted Net Assets	<u>-</u>
Net Assets	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity. The District's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs. Certain expenses of the District are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following is the District's fiduciary fund:

Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Capital Project Lost – To account for the collection of a 1% school local sales and services tax to be expended for school infrastructure needs and property tax relief.

The District reports the following major enterprise funds:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 2 – CASH AND POOLED INVESTMENTS – (CONTINUED)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Guaranteed Interest Contract	<u>\$ 577,671</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2005 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Student Activity	General	\$ 15,000
Debt Service Fund	Capital Project LOST	241,436
General Fund	Internal Service	43,755
Total		<u>\$ 300,191</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS

The detail of short-term interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Physical Plant and Equipment Levy	Capital Project LOST	<u>\$ 4,536</u>

NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) – (CONTINUED)

withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06A	6/30/05	6/30/06	\$ 577,671	\$ 123	\$ 575,000	\$ 110

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ -	\$250,000	\$250,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.5%	3.903%

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 237,000	\$ 10,000		\$ 247,000
Construction in Progress	105,293	2,388,485	\$ 25,233	2,468,545
Total capital assets not being depreciated	342,293	2,398,485	25,233	2,715,545
Capital assets being depreciated:				
Buildings	9,766,213	156,871		9,923,084
Improvements other than buildings	579,723	60,001		639,724
Furniture and equipment	2,067,101	146,602	65,999	2,147,704
Total capital assets being depreciated	12,413,037	363,474	65,999	12,710,512
Less: Accumulated Depreciation for:				
Buildings	5,274,530	201,899		5,476,429
Improvements other than buildings	339,388	35,375		374,763
Furniture and equipment	1,448,885	140,056	65,192	1,523,749
Total Accumulated Depreciation	7,062,803	377,330	65,192	7,374,941
Total capital assets being depreciated, net	5,350,234	(13,856)	807	5,335,571
Governmental activities capital assets, net	\$ 5,692,527	\$ 2,384,629	\$ 26,040	\$ 8,051,116

Construction in progress at June 30, 2005, for the governmental activities consisted of costs associated with the high school addition and remodel project.

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type Activities:				
Furniture and equipment	\$ 70,007	\$ 20,288	\$ 510	\$ 89,785
Less: Accumulated Depreciation	27,007	7,135	510	33,632
Business-type activities capital assets, net	\$ 43,000	\$ 13,153	\$ -	\$ 56,153

Depreciation expense was charged to the functions of the as follows:

Governmental Activities:	
Regular Instruction	\$ 216,202
Other Instruction	10,722
Instructional Staff Services	24,387
Administration Services	24,914
Operation and Maintenance	44,316
Transportation Services	56,789
Total depreciation expenses – governmental activities	\$ 377,330
Business-type activities:	
Food Service Operations	\$ 7,135

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 6 – CAPITAL ASSETS – (CONTINUED)

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business- Type Activities
Land	\$ 247,000	
Construction in Progress	2,468,545	
Capital Assets (net of accumulated depreciation)	5,335,571	\$ 56,153
Less: Bonds Payable	2,600,000	
Lease Obligation Payable	50,730	
Investment in Capital Assets, Net of Related Debt	<u>\$ 5,400,386</u>	<u>\$ 56,153</u>

NOTE 7 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligations Bonds	\$ 1,505,000	\$ -	\$ 570,000	\$ 935,000	\$ 600,000
LOST Revenue Bonds	-	1,665,000	-	1,665,000	-
Lease Obligations	36,016	46,750	32,036	50,730	20,070
Early Retirement	156,026	42,405	145,331	53,100	50,994
Governmental Activities Long-Term Liabilities	<u>\$ 1,697,042</u>	<u>\$ 1,754,155</u>	<u>\$ 747,367</u>	<u>\$ 2,703,830</u>	<u>\$ 671,064</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2005 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – 1999 Refunding	4.2%	\$ 285,000
Governmental Activities – 2001 Refunding	4.1-4.2%	<u>650,000</u>
		<u>\$ 935,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2006	\$ 600,000	\$ 38,955
2007	<u>335,000</u>	<u>14,070</u>
Total	<u>\$ 935,000</u>	<u>\$ 53,025</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)

Advance and Current Refundings

On February 1, 1999 the District issued \$1,060,000 general revenue refunding bonds with interest rates ranging between 4.0 percent and 4.2 percent. The District issued the bonds to advance refund \$1,035,000 of the outstanding 1990 series general obligation bonds with interest rates ranging between 6.6 percent and 7.25 percent. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1990 series bonds. On June 1, 2002, these securities were sold and the proceeds used to retire the 1990 series general obligation bonds. The advance refunding reduced total debt service payments over the 7 years remaining on the obligation by nearly \$172,000. This resulted in an economic gain of \$153,000.

On July 1, 2001, the District issued \$1,510,000 general revenue refunding bonds with interest rates ranging between 3.80 percent and 4.20 percent. The District issued the bonds to advance refund \$1,480,000 of the outstanding 1992 series general obligation bonds with interest rates ranging between 6.35 and 6.90 percent. The District used the net proceeds to purchase U.S. government securities, which were deposited in an irrevocable trust. On June 1, 2002, these securities were sold and the proceeds used to retire the 1992 series general obligation bonds. The advance refunding reduced total debt service payments over the next 5 years by nearly \$58,000. This resulted in an economic gain of \$52,000.

Revenue Bonds

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
2. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project LOST fund.
3. Any monies remaining must be used to pay or redeem the Bonds.

The District was in compliance with all of the provisions during the year ended June 30, 2005.

Revenue bonds as of June 30, 2005 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities - 2005	5.0%	<u>\$ 1,665,000</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Governmental Activities</u>		
Year Ending June 30	Principal	Interest
2006	\$ -	\$ 83,250
2007	171,395	83,328
2008	179,276	75,447
2009	188,448	66,275
2010	198,089	56,633
2011-2014	927,792	121,704
Total	\$1,665,000	\$ 486,637

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines and band instruments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Furniture and Equipment	\$ 79,432
Less: Accumulated Depreciation	39,305
Total	\$ 40,127

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2005.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 20,070	\$ 415	\$ 20,485
2007	11,960	22	11,982
2008	9,350	-	9,350
2009	9,350	-	9,350
Minimum Lease Payments			51,167
Less: Amount Representing Interest			(437)
Present Value of Minimum Lease Payments			\$ 50,730

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Teachers and administrators who have 10 years of continuous service with the former districts and/or the new District are eligible for Board approved early retirement compensation. Employees making application for early retirement receive as compensation an amount equal to the difference between the applicant's current salary schedule amount and that year's base pay if the application for early retirement is submitted during a period beginning with the fiscal year before the teacher attains age 55 through the fiscal year in which the teacher attains the age 65. After age 65, no early retirement compensation is available. Part-time teachers receive a percentage of the benefit. Early retirement benefits paid during the year ended June 30, 2005, totaled \$145,331. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 8 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$336,688, \$336,137, and \$322,960 respectively, equal to the required contributions for each year.

NOTE 9 – RISK MANAGEMENT

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$432,179 for the year ended June 30, 2005 and is recorded in the General Fund.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 11 – DEFICIT FUND BALANCE

As of June 30, 2005, the following funds had a deficit fund balance in the amounts showing:

Special Revenue:	
Management	<u>\$ 20,889</u>
Capital Project LOST	<u>\$ 263,209</u>

The deficits will be funded through future property tax revenue and future local option sales and services revenue.

NOTE 12 – SPLIT FUNDING HEALTH INSURANCE PLAN

The District's Split Funding Health Insurance Fund was established to account for the partial self-funding of the District's health insurance benefit plan. The plan is funded by District contributions and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to automatic renewal provisions. The District assumes liability for deductible amounts of \$1,500 or \$1,000 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are processed by Employee Benefit Systems from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

Claims Payable at June 30, 2004	\$ 5,213
Claims Paid	(31,546)
Claims Incurred	27,819
Claims Payable at June 30, 2005	<u>\$ 1,486</u>

NOTE 13 – COMMITMENTS

The District has entered into various contracts totaling \$6,236,325 for the high school addition and remodeling project as well as \$15,724 for concrete replacement at Orange City Elementary. As of June 30, 2005, costs of \$2,491,991 had been incurred against the contracts. The balance of \$3,760,058 will be paid as work on the projects progress.

REQUIRED SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, GENERAL FUND - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Amended		
REVENUE:				
Local Sources:				
Local Tax	\$ 3,876,564	\$ 3,876,564	\$ 3,741,275	\$ (135,289)
Tuition	190,000	190,000	211,140	21,140
Other	152,000	152,000	104,381	(47,619)
Intermediate Sources	163,000	163,000	-	(163,000)
State Sources	5,285,920	5,285,920	5,180,725	(105,195)
Federal Sources	305,000	305,000	363,514	58,514
Total Revenue	9,972,484	9,972,484	9,601,035	(371,449)
EXPENDITURES:				
Current:				
Instruction	7,335,028	7,335,028	6,180,473	1,154,555
Support Services	2,992,783	2,992,783	2,610,681	382,102
Non-instructional Programs	12,271	12,271	6,862	5,409
Other Expenditures	468,307	468,307	432,179	36,128
Total Expenditures	10,808,389	10,808,389	9,230,195	1,578,194
Excess (Deficiency) of Revenues Over Expenditures	(835,905)	(835,905)	370,840	1,206,745
Other Financing Sources (Uses):				
Transfers In	-	-	43,755	(43,755)
Transfers Out	-	-	(15,000)	(15,000)
Total Other Financing Sources (Uses)	-	-	28,755	(58,755)
Net Change in Fund Balances	(835,905)	(835,905)	399,595	1,235,500
Fund Balances - Beginning of Year	989,479	989,479	989,479	-
Fund Balances - End of Year	\$ 153,574	\$ 153,574	\$ 1,389,074	\$ 1,235,500

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2005, there were no budget amendments.

The following schedule demonstrates the District's legal compliance to the budget.

Function	Original and Final Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Instruction	\$ 7,984,391	\$ 6,710,002	\$ 1,274,389
Support Services	3,186,718	2,804,694	382,024
Non-instructional Programs	568,070	453,809	114,261
Other Expenditures	4,481,153	3,797,631	683,522
	<u>\$ 16,220,332</u>	<u>\$ 13,766,136</u>	<u>\$ 2,454,196</u>

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2004-2005 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

Governmental Fund Types			
	General		Modified Accrual Basis
	Cash Basis	Accrual Adjustments	
Revenues	\$ 9,601,035	\$ 87,428	\$ 9,688,463
Expenditures	9,230,195	(87,886)	9,318,081
Net	370,840	(458)	370,382
Other Financing Sources, net	28,755	46,750	75,505
Beginning Fund Balance	989,479	(914,557)	74,922
Ending Fund Balance	<u>\$ 1,389,074</u>	<u>\$ (868,265)</u>	<u>\$ 520,809</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

Governmental Fund Types

	Capital Project LOST		Modified
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 850,428	\$ (18,230)	\$ 832,198
Expenditures	2,455,653	331,913	2,787,566
Net	(1,605,225)	(350,143)	(1,955,368)
Other Financing Sources, net	1,423,564	-	1,423,564
Beginning Fund Balance	184,399	84,196	268,595
Ending Fund Balance	<u>\$ 2,738</u>	<u>\$ (265,947)</u>	<u>\$ (263,209)</u>

Non Major Funds

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 1,406,901	\$ 20,995	\$ 1,427,896
Expenditures	1,639,800	(108,278)	1,531,522
Net	(232,899)	129,273	(103,626)
Other Financing Sources, net	256,436	-	256,436
Beginning Fund Balance	329,954	(172,051)	157,903
Ending Fund Balance	<u>\$ 353,491</u>	<u>\$ (42,778)</u>	<u>\$ 310,713</u>

Governmental Fund Types

	Totals		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 11,858,364	\$ 90,193	\$ 11,948,557
Expenditures	13,325,648	311,521	13,637,169
Net	(1,467,284)	(221,328)	(1,688,612)
Other Financing Sources, net	1,708,755	46,750	1,755,505
Beginning Fund Balance	1,503,832	(1,002,412)	501,420
Ending Fund Balance	<u>\$ 1,745,303</u>	<u>\$ (1,176,990)</u>	<u>\$ 568,313</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

	<u>Proprietary Fund Type</u>		
	<u>School Nutrition</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 416,740	\$ 32,466	\$ 449,206
Expenditures	440,488	27,798	468,286
Net	(23,748)	4,668	(19,080)
Beginning Fund Balance	70,841	59,552	130,393
Ending Fund Balance	<u>\$ 47,093</u>	<u>\$ 64,220</u>	<u>\$ 111,313</u>

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OTHER SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1

REVENUES:

Local Sources:

Local Tax:

Property Tax	\$ 3,391,819
Mobile Home Tax	2,647
Utility Tax Replacement Excise Tax	69,146
Surtax	352,442
	<u>3,816,054</u>

Other Local Sources:

Interest on Investments	52,130
Tuition from Individuals	29,700
Tuition from Other Districts	173,810
Rent	7,869
Miscellaneous	40,376
	<u>303,885</u>
	<u>4,119,939</u>

State Sources:

State Foundation Aid	4,170,413
Instructional Support State Aid	43,714
Foster Care State Aid	12,932
Educational Excellence Program:	
Phase I	71,809
Phase II	107,650
Non-Public Transportation Aid	129,426
Non-Public Textbook and Technology Aid	14,123
Teacher Compensation	109,289
Vocational Education Aid	12,878
Revenue in lieu of taxes - military credit	3,055
AEA Flow-Through	432,179
Iowa Early Intervention Block Grant	68,112
Other State Aid	3,902
	<u>5,179,482</u>

Federal Sources:

Title I Grants to Local Educational Agencies	142,066
Safe and Drug-Free Schools and Communities-States Grants	6,862
State Grants for Innovative Programs	7,792
Vocational Education - Basic Grants to States	17,584
Special Education - Grants to States	87,340
Improving Teacher Quality State Grants	54,594
Grants for Assessments and Related Activities	8,710
Other	64,094
	<u>389,042</u>
Total Revenue	<u>\$ 9,688,463</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005**

Schedule 1 (Continued)

EXPENDITURES:

Instruction:

Regular Instruction:

Salaries	\$ 3,247,918
Benefits	792,963
Services	211,949
Supplies	104,851
Property	65,708
	<u>4,423,389</u>

Special Education Instruction:

Salaries	586,245
Benefits	136,259
Services	380,189
Supplies	7,198
	<u>1,109,891</u>

Vocational Instruction:

Salaries	244,505
Benefits	64,222
Services	2,588
Supplies	30,768
Property	1,570
	<u>343,653</u>

Co-curricular Instruction:

Salaries	185,560
Benefits	23,922
Services	6,100
	<u>215,582</u>

Other Instruction:

Salaries	107,310
Benefits	28,808
Services	3,042
Supplies	1,994
Other	912
	<u>142,066</u>

Nonpublic Instruction:

Supplies	14,123
	<u>14,123</u>

Total Instruction

6,248,704

Support Services:

Student Services:

Attendance and Social Work Services:

Salaries	7,043
Benefits	1,776
Services	2,433
Supplies	730
	<u>\$ 11,982</u>

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Guidance Services:

Salaries	\$ 175,813
Benefits	43,716
Services	9,286
Supplies	494
	<u>229,309</u>

Health Services:

Salaries	40,119
Benefits	11,006
Services	2,245
Supplies	3,565
	<u>56,935</u>

Total Student Services

298,226

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries	
Benefits	
Services	27,091
Supplies	4,420
Other	845
	<u>32,356</u>

Educational Media Services:

Salaries	146,061
Benefits	28,624
Services	1,878
Supplies	31,744
Property	305
Other	53
	<u>208,665</u>

Other Instructional Staff Support Services:

Salaries	57,209
Benefits	13,098
Services	18,118
Supplies	25,834
Property	51,373
	<u>165,632</u>

Total Instructional Staff Services

\$ 406,653

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1 (Continued)

Support Services:

Administration Services:

Executive Administration:

Salaries	\$ 135,346
Benefits	37,227
Services	4,999
Supplies	5,095
Property	6,444
Other	722
	<u>189,833</u>

School Administration:

Salaries	394,309
Benefits	129,026
Services	3,228
Supplies	21,536
Property	1,556
	<u>549,655</u>

Business Administration:

Salaries	42,142
Benefits	11,013
Services	1,553
Supplies	47

Iowa School Cash Anticipation Program:

Interest	5,175
Issuance Costs	14,536
Other	703
	<u>75,169</u>

Board of Education:

Services	36,938
Supplies	4,192
Other	330
	<u>41,460</u>

Total Administration Services:

856,117

Support Services:

Plant Operation and Maintenance:

Salaries	248,124
Benefits	62,936
Services	101,069
Supplies	228,701
Property	12,993
	<u>\$ 653,823</u>

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1 (Continued)

Support Services (Continued):	
Student Transportation:	
Salaries	\$ 163,064
Benefits	27,353
Services	147,469
Supplies	51,906
Property	25,725
	<u>415,517</u>
Total Support Services	<u>2,630,336</u>
Non-instructional Programs:	
Community Services:	
Salaries	3,340
Benefits	447
Services	2,547
Supplies	528
	<u>6,862</u>
Other Expenditures:	
AEA Flow-Through	<u>432,179</u>
Total Expenditures	<u>9,318,081</u>
Excess of Revenues Over Expenditures	<u>370,382</u>
Other Financing Sources (Uses):	
Proceeds from Issuance of Lease	46,750
Transfers From Other Funds	43,755
Transfers To Other Funds	<u>(15,000)</u>
Total Other Financing Sources (Uses)	<u>75,505</u>
Net Change in Fund Balance	445,887
Fund Balance - Beginning of Year	<u>74,922</u>
Fund Balance - End of Year	<u><u>\$ 520,809</u></u>

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**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2005**

	Special Revenue Funds			
	Management Levy	Physical Plant and Equipment Levy	Student Activity	Debt Service
ASSETS				
Cash and Pooled Investments	\$ 1,473	\$ 170,805	\$ 137,611	\$ 39,066
Receivables:				
Property Tax	2,562	3,180	-	3,216
Succeeding Year Property Tax	155,000	328,558	-	139,755
Accounts	-	-	9,293	-
Due from Other Funds	-	4,536	-	-
Total Assets	159,035	507,079	146,904	182,037
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	1,338	-	36,105	-
Early Retirement Payable	23,586	-	-	-
Deferred Revenue - Succeeding Year Property Taxes	155,000	328,558	-	139,755
Total Liabilities	179,924	328,558	36,105	139,755
Fund Balances:				
Reserved for:				
Debt Service	-	-	-	42,282
Unreserved for:				
Special Revenue Fund	(20,889)	178,521	110,799	-
Capital Project Fund	-	-	-	-
Total Fund Balances (Deficit)	(20,889)	178,521	110,799	42,282
Total Liabilities and Equity	\$ 159,035	\$ 507,079	\$ 146,904	\$ 182,037

Schedule 2

Capital Projects	Total
\$ -	\$ 348,955
-	8,958
-	623,313
-	9,293
-	4,536
-	995,055
-	37,443
-	23,586
-	623,313
-	684,342
-	42,282
-	268,431
-	-
-	310,713
\$ -	\$ 995,055

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds			
	Management Levy	Physical Plant and Equipment Levy	Student Activity	Debt Service
REVENUE:				
Local Sources:				
Local Tax	\$ 239,977	\$ 324,099	\$ -	\$ 406,724
Other	894	68,512	386,254	629
State Sources	213	267	-	327
Total Revenue	241,084	392,878	386,254	407,680
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	115,150	9,578	-	-
Other Instruction	-	-	386,631	-
Support Services:				
Student Services	544	-	-	-
Instructional Staff Services	1,794	37,120	-	-
Administration Services	37,090	1,316	-	-
Operation and Maintenance	31,345	11,398	-	-
Transportation Services	19,632	-	-	-
Non-instructional Programs	6,459	-	-	-
Other Expenditures:				
Facilities Acquisition and Construction	-	228,896	-	-
Long-term Debt:				
Principal	-	-	-	570,000
Interest and Fiscal Charges	-	-	-	74,396
Total Expenditures	212,014	288,308	386,631	644,396
Excess(Deficiency) of Revenues Over Expenditures	29,070	104,570	(377)	(236,716)
Other Financing Sources (Uses):				
Transfers In	-	-	15,000	241,436
Total Other Financing Sources (Uses)	-	-	15,000	241,436
Net Change in Fund Balances	29,070	104,570	14,623	4,720
Fund Balances (Deficits) - Beginning of Year	(49,959)	73,951	96,176	37,562
Fund Balances (Deficits) - End of Year	\$ (20,889)	\$ 178,521	\$ 110,799	\$ 42,282

Schedule 3

Capital Projects		Total
\$	-	\$ 970,800
	-	456,289
	-	807
	-	<u>1,427,896</u>
	-	
	-	124,728
	-	386,631
	-	
	-	544
	-	38,914
	-	38,406
	-	42,743
	-	19,632
	-	
	-	6,459
	173	229,069
	-	570,000
	-	74,396
	173	<u>1,531,522</u>
	(173)	<u>(103,626)</u>
	-	<u>256,436</u>
	-	<u>256,436</u>
	(173)	152,810
	173	<u>157,903</u>
\$	-	<u><u>\$ 310,713</u></u>

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2005

					Schedule 4
	Balance June 30, 2004	Revenues	Expenditures	Operating Transfers	Balance June 30, 2005
Annual	\$ 9,228	\$ 17,740	\$ 16,211		\$ 10,757
Plays/Musical	7,363	6,045	4,109		9,299
Iowa High School Speech	-	325	3,815	\$ 5,000	1,510
Iowa High School Music	54	41	5,825	10,000	4,270
Vocal Robe Rent	8,852		314		8,538
Band Instrument Rent	(4,528)	9,247	4,767		(48)
High School Band Uniform Rent	673	7,132	5,110		2,695
High School Band	6	5,762	5,782		(14)
Music Gate Receipts	893	4,273	1,997		3,169
Athletics	28,439	141,398	159,488		10,349
Joint Baseball	13,074	2,571	9,139		6,506
Joint Baseball/Softball Concessions	(2,367)	21,105	10,307		8,431
FCA Christian Ministries	657	1,950	40		2,567
Dance Team	13	1,436	1,493		(44)
Peb Club/Cheerleaders	(444)	4,520	5,722		(1,646)
Student Council	1,152	8,191	4,968		4,375
Art Club	-				-
FFA Club	3,581	27,203	24,273		6,511
Class of 2011	-	500			500
Class of 2010	500	500			1,000
Class of 2009	1,000	500			1,500
Class of 2008	1,500	-			1,500
Class of 2007	1,500				1,500
Class of 2006	1,350	12,104	11,637		1,817
Class of 2005	954	495	835		614
Class of 2004	954		215		739
Class of 2003	-				-
Class of 2002	-				-
Class of 2001	-				-
Get a Grip	114		15		99
Middle/High School Shop	-	3,619	2,838		781
Awards	635	2,002	2,399		238
High School Faculty Pop					
Machine	284	1,341	1,971		(346)
Concessions	3,201	8,535	6,799		4,937
Juice Machine	178	3,323	3,686		(185)
National Honor Society	258	702	282		678
Middle School Miscellaneous	1,103	1,380	1,635		848
Middle School Student Council	\$ 2,163	\$ 4,369	\$ 5,720		\$ 812

(Continued)

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005

					Schedule 4
	Balance June 30, 2004	Revenues	Expenditures	Operating Transfers	Balance June 30, 2005
Middle School Pop Machine	\$ 58	\$ 995	\$ 1,277		\$ (224)
Middle School Magazines	6,637	50,003	52,293		4,347
Middle School Book Club	136	-	-		136
Middle School Pictures	1,484	851	516		1,819
My Choice Christian Ministries	195	781			976
Orange City Kindergarten Gowns	-				-
Orange City Elementary Pop Machine and Miscellaneous	183	929	579		533
Orange City Outdoor Education	2,445	11,707	11,966		2,186
Orange City Elementary Pictures	(26)	4,818	3,951		841
Orange City Elementary Book Club	620	784	903		501
Orange City Elementary Care Fund	373	53	150		276
Hospers Elementary Pop Machine and Miscellaneous	(1,390)	4,361	2,576		395
Hospers Elementary Pictures	466	526	415		577
Reading Counts	2,655	3,077	1,568		4,164
Revolving/Interest	-	9,060	9,045		15
Totals	\$ 96,176	\$ 386,254	\$ 386,631	\$ 15,000	\$ 110,799

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2005**

				Schedule 5
	Balance			Balance
	July 1, 2004	Additions	Deductions	June 30, 2005
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 1,072	\$ 73,714	\$ 68,330	\$ 6,456
Total Assets	1,072	73,714	68,330	6,456
<u>Liabilities</u>				
Other Payables	1,072	73,714	68,330	6,456
Total Liabilities	\$ 1,072	\$ 73,714	\$ 68,330	\$ 6,456

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES
FOR THE YEARS ENDED JUNE 30, 2005, 2004, 2003, 2002**

Schedule 6

	Modified Accrual Basis of Accounting			
	2005	2004	2003	2002
Local Sources:				
Property Taxes	\$ 4,343,353	\$ 4,568,224	\$ 4,410,680	\$ 4,217,741
Mobile Home Taxes	3,431	3,580	3,545	3,997
Utility Tax Replacement Excise Tax	87,628	69,510	61,640	61,763
Instructional Support Surtax	352,442			
Local Option Sales and Services Tax	830,357	347,215		
	<u>5,617,211</u>	<u>4,988,529</u>	<u>4,475,865</u>	<u>4,283,501</u>
State Sources:				
State Foundation Aid	4,170,413	3,712,101	3,861,045	3,836,594
Instructional Support State Aid	43,714	33,491	-	-
Foster Care State Aid	12,932	11,224	-	-
School Improvement Technology Funding	-	-	-	28,254
Educational Excellence Program:				
Phase I	71,809	71,275	71,808	71,808
Phase II	107,650	107,967	110,466	112,944
Phase III	-	-	27,448	64,542
Non-Public Transportation Aid	129,426	118,002	105,001	118,489
Non-Public Textbook and Technology Aid	14,123	13,275	13,324	52,769
Teachers Compensation Allocation	109,289	102,543	87,812	86,391
Vocational Education Aid	12,878	10,232	4,830	2,883
Revenue in Lieu of Taxes - Military Credit	3,862	3,910	3,098	4,312
Lunch and Breakfast program claims	6,466	6,659	7,006	7,244
AEA Flow-Through	432,179	435,808	466,374	469,938
Iowa Early Intervention Block Grant	68,112	69,782	71,902	66,599
Other State Aid	3,902	3,070	16,124	50,156
	<u>5,186,755</u>	<u>4,699,339</u>	<u>4,846,238</u>	<u>4,972,923</u>
Federal Sources:				
Title I Grants to Local Educational Agencies	142,066	146,140	139,184	130,654
Class Size Reduction	-	-	-	32,189
State Grants for Innovative Programs	7,792	10,946	11,109	11,382
Safe and Drug Free Schools and Communities -				
State Grants	6,862	7,814	9,110	7,623
Vocational Education-Basic Grants to States	17,584	18,959	16,937	15,135
National School Lunch Program	112,206	110,593	102,540	108,856
Food Distribution	34,348	43,553	53,859	38,855
Special Education - Grants to States	87,340	74,006	45,607	-
Improving Teacher Quality State Grants	54,594	55,896	55,234	-
Improvement of Education Grants	-	75,000	97,325	-
Grants for Assessments and Related				
Activities	8,710	14,421	-	-
Other	64,094	27,844	11,110	37,688
	<u>535,596</u>	<u>585,172</u>	<u>542,015</u>	<u>382,382</u>
Total	<u>\$ 11,339,562</u>	<u>\$ 10,273,040</u>	<u>\$ 9,864,118</u>	<u>\$ 9,638,806</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Schedule 7

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Schedule 7 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-05 Financial Accounting – Segregation of Duties

- A. Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Schedule 7 (Continued)

Part III: Other Findings Related to Statutory Reporting:

- III-A-05 Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- III-B-05 Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed amounts budgeted.
- III-C-05 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-E-05 Business Transactions – Business transactions between the District and District Officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gerald Van Roekel, Board Member Part-owner of Van Engelenhoven Agency	Insurance	\$97,823

This transaction may represent a conflict of interest and the District should contact legal council for determination.

- III-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Schedule 7 (Continued)

-
- | | |
|----------|--|
| III-J-05 | <u>Certified Annual Report</u> – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported. |
| III-K-05 | <p><u>Deficit Balances</u> – The management fund and the Capital Project LOST fund as well as several student activity accounts had deficit balances at June 30, 2005.</p> <p><u>Recommendation</u> – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.</p> <p><u>Response</u> – The District is continuing to investigate alternatives to eliminate deficits in the management fund, the Capital Project LOST fund, and the student activity accounts at the end of the fiscal year.</p> <p><u>Conclusion</u> – Response accepted.</p> |

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
MOC-Floyd Valley Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MOC-Floyd Valley Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-05 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom the MOC-Floyd Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 31, 2005